

# ***Employee Health as Human Capital***

**Wendy D. Lynch, Ph.D.  
Executive Director  
Health as Human Capital Foundation**

# ***Today's Agenda***

- **Demonstrate a tool that helps you estimate the total cost of diseases**
- **Explain why we have expanded our thinking**
- **Provide an alternative approach where health is a human capital asset**

# Tool Demo



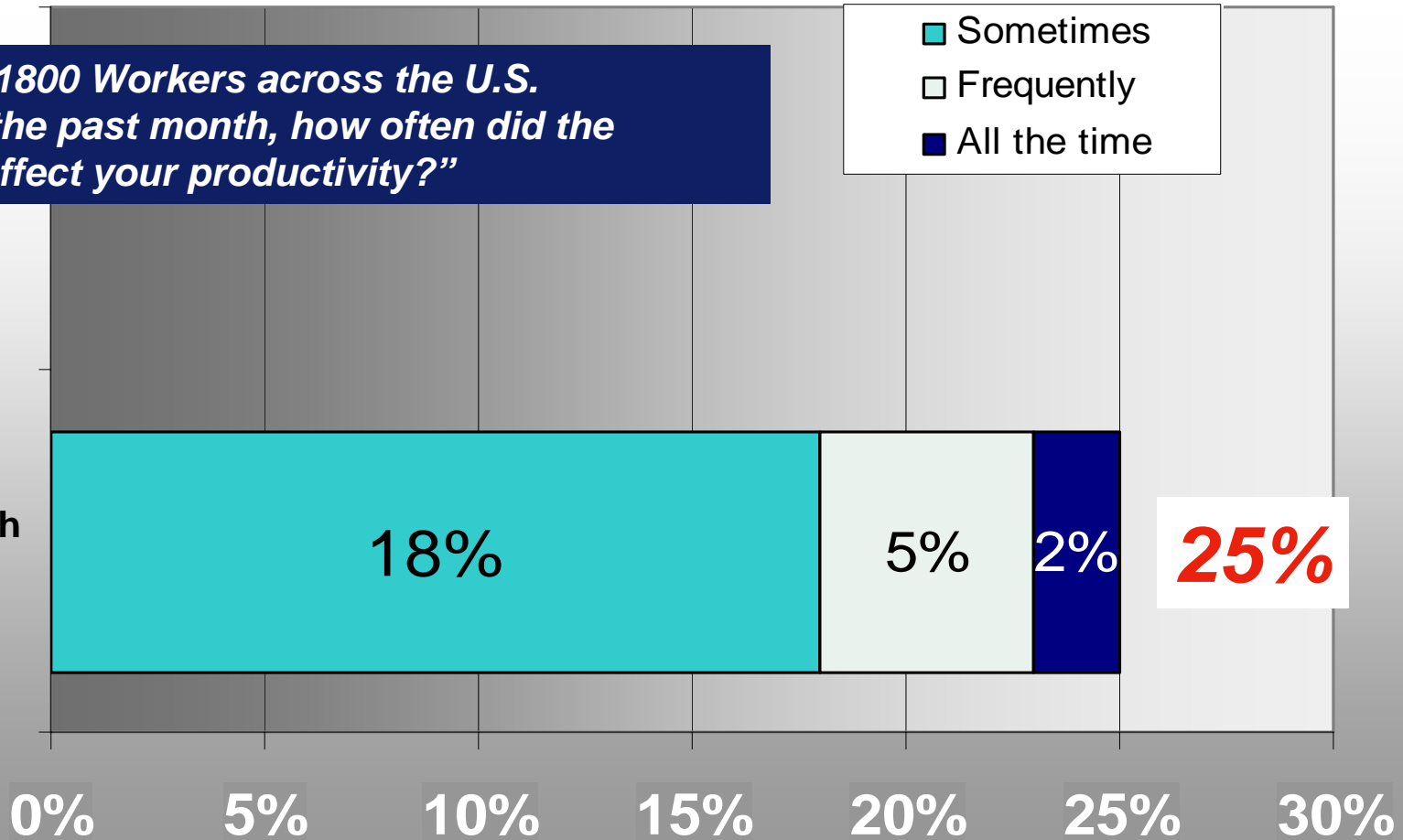
<http://blueprint.acoem.org>

# What interferes with productivity?

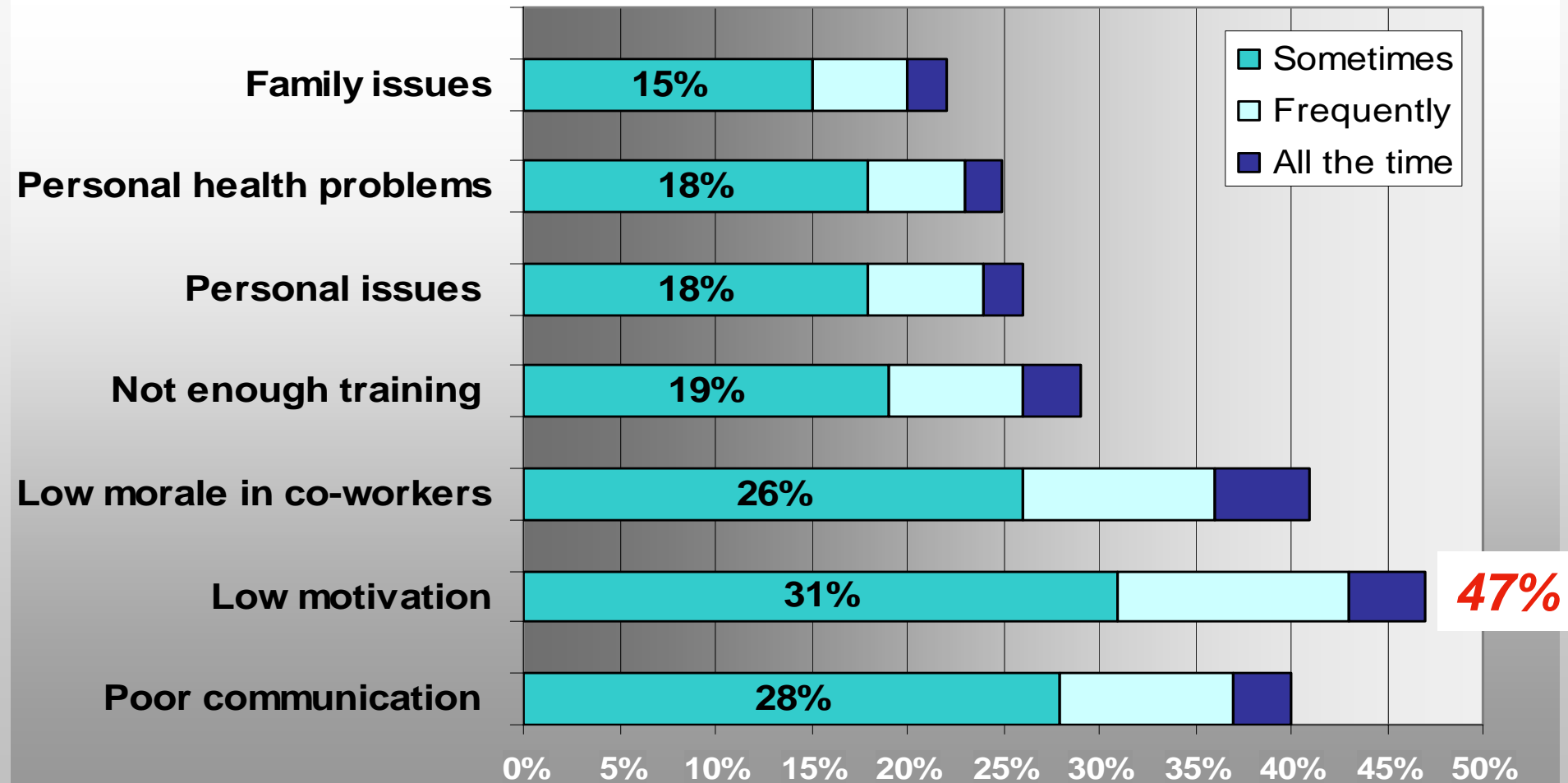
*Sample of 1800 Workers across the U.S.  
Asked "In the past month, how often did the  
following affect your productivity?"*

Personal health  
problems

■ Sometimes  
□ Frequently  
■ All the time



# ***What interferes with productivity?***



# ***Definition***

## **Human Capital**

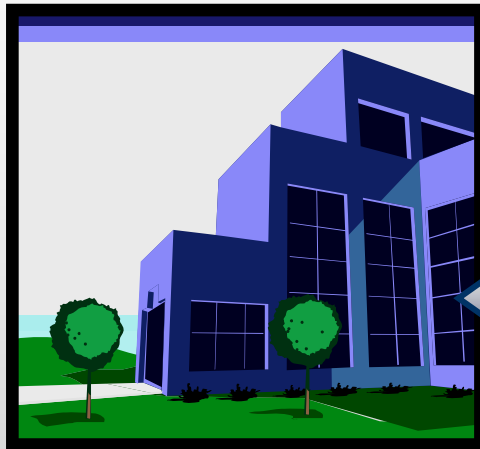
**The potential value an individual or group of individuals brings to an organization.**

**That Human Capital is a function of:**

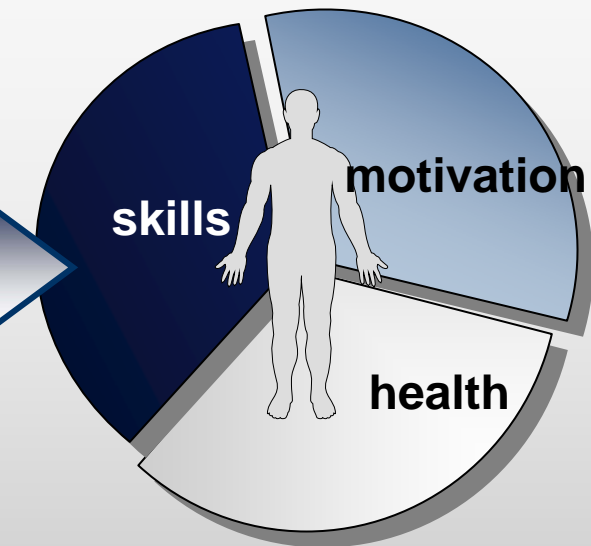
- **Skills**                      **education and experience**
- **Motivation**              **attitude and incentives**
- **Health**                     **physical and mental capacity**



# ***A Day's Work for a Day's Pay***



Compensation  
Wages  
Opportunity  
Rewards



**Human Capital Package**

# ***The Aligned Incentive Hierarchy***

***Setting a  
context for  
achieving  
better health  
and lower  
health benefits  
consumption***





Copyright 2001 by Randy Glasbergen.  
[www.glasbergen.com](http://www.glasbergen.com)



**“My job is giving me migraines, high blood pressure, chest pains, and bleeding ulcers. I’d quit, but I like their health plan.”**

# ***The Aligned Incentive Hierarchy***

***Asking an employee to take greater responsibility for health and health care consumption requires reliable evidence that both the employee and employer will gain from prudent consumption***



# ***Four Types of Spending***

## **Spent on Whom?**

## **Whose Money?**

**Your Money**

**Someone  
Else's Money**

**Spend on you**

**Spend on  
Someone else**

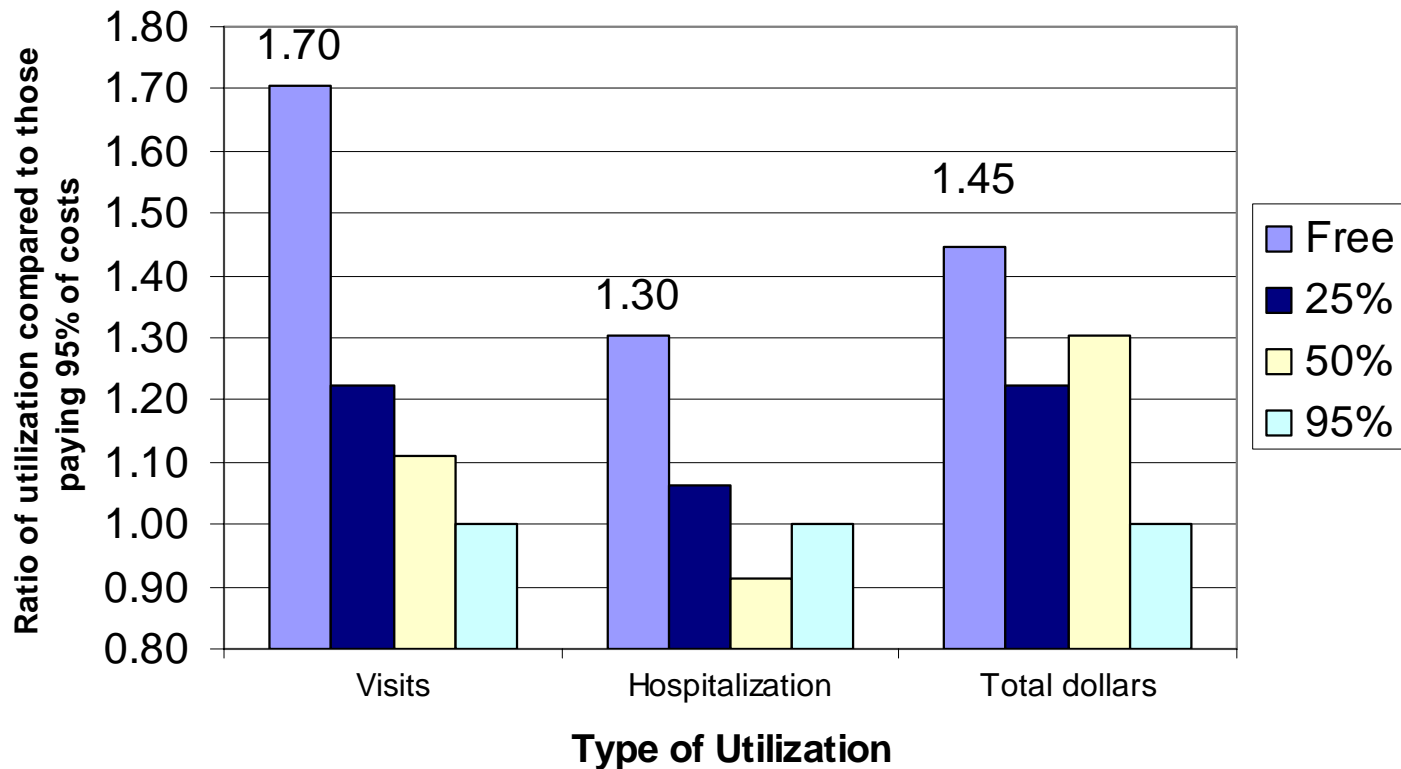


**Spend less  
and  
get more**

Milton Friedman. *Free to Choose*

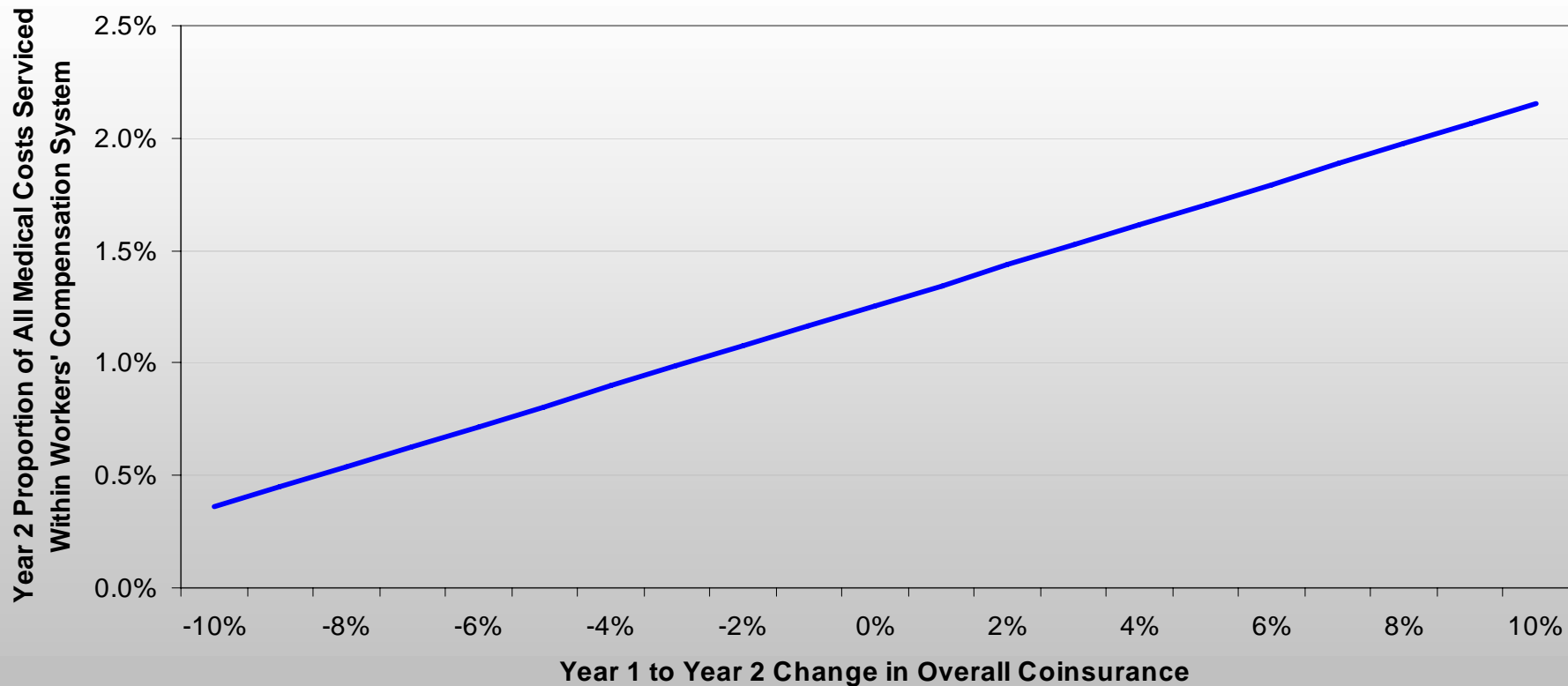
# Rand Health Insurance Experiment

Health Care Utilization by Level of Co-Insurance



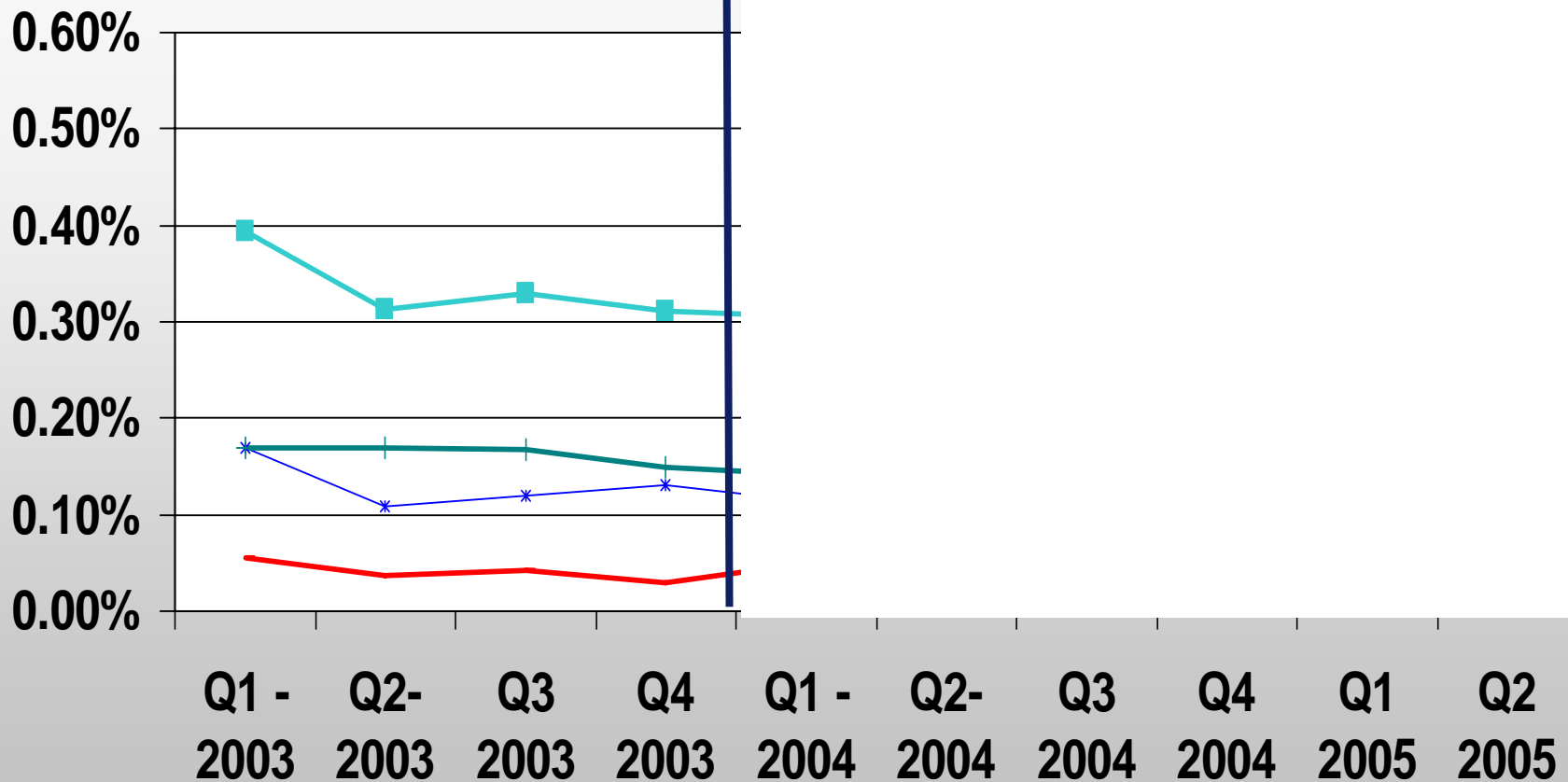
J. P. Newhouse's *Free for all? Lessons from the RAND Health Insurance Experiment*.  
Cambridge, Mass.: Harvard University Press, 1993.

# ***Impact of Changes in Healthcare Coinsurance on Cost Migration to Workers' Compensation***



HCMSGGroup, 2005, used with permission

# Claimant Rates For Specific Procedures And Services Before The Implementation Of An HRA



\* knee + cholecystectomy — abdominal hysterectomy ■ Total

# Four Types of Spending

## Spent on Whom?

## Whose Money?

Your Money

Someone  
Else's Money

Spend on you

Spend on  
Someone else

Spend less  
and  
get more

*Employee  
Pre-deductible*

Spend less

*Employer/Insurer*

Get more

*Employees*

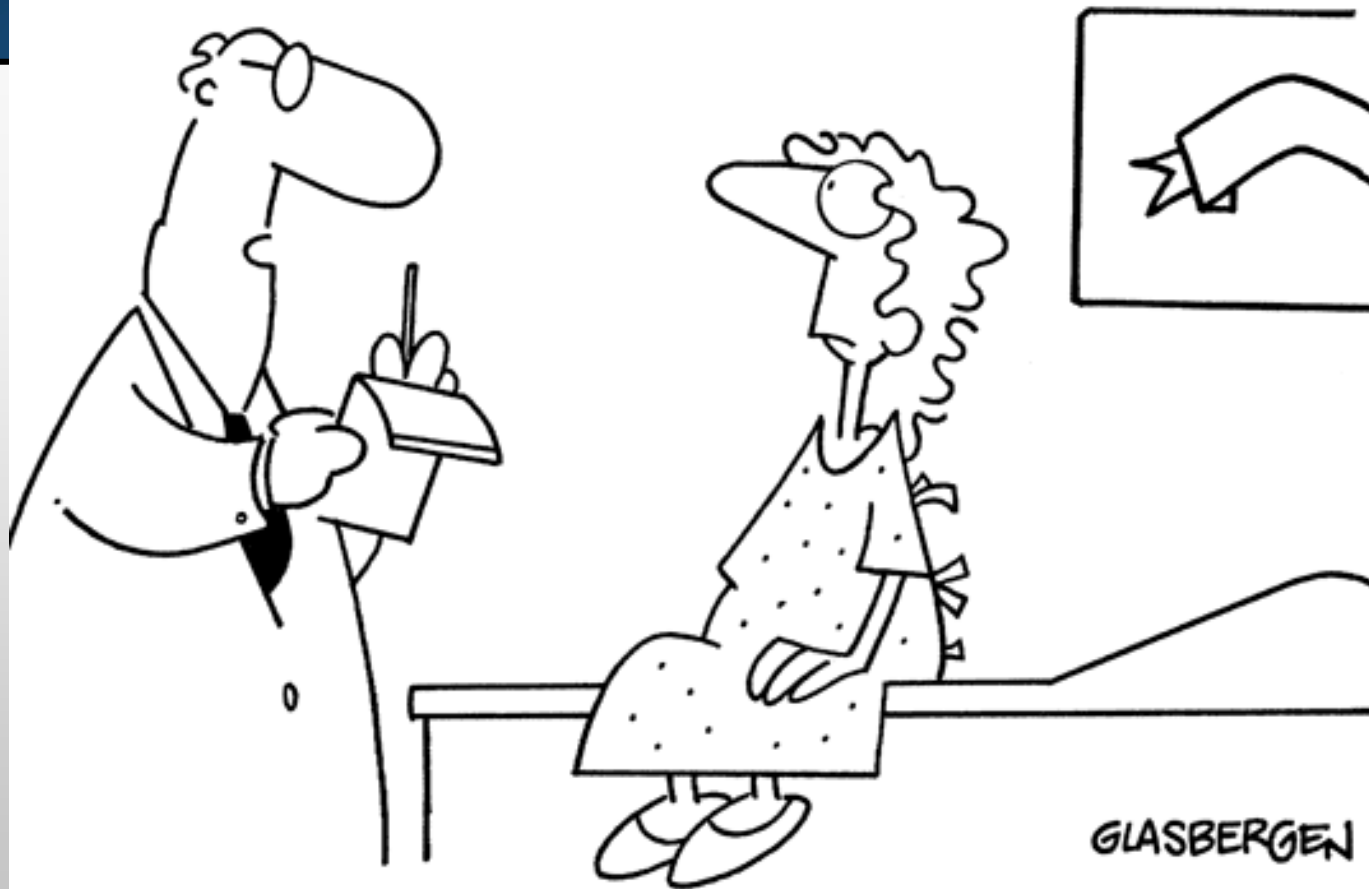
Neither.  
Depends on  
other motives

*Providers*



Milton Friedman. *Free to Choose*

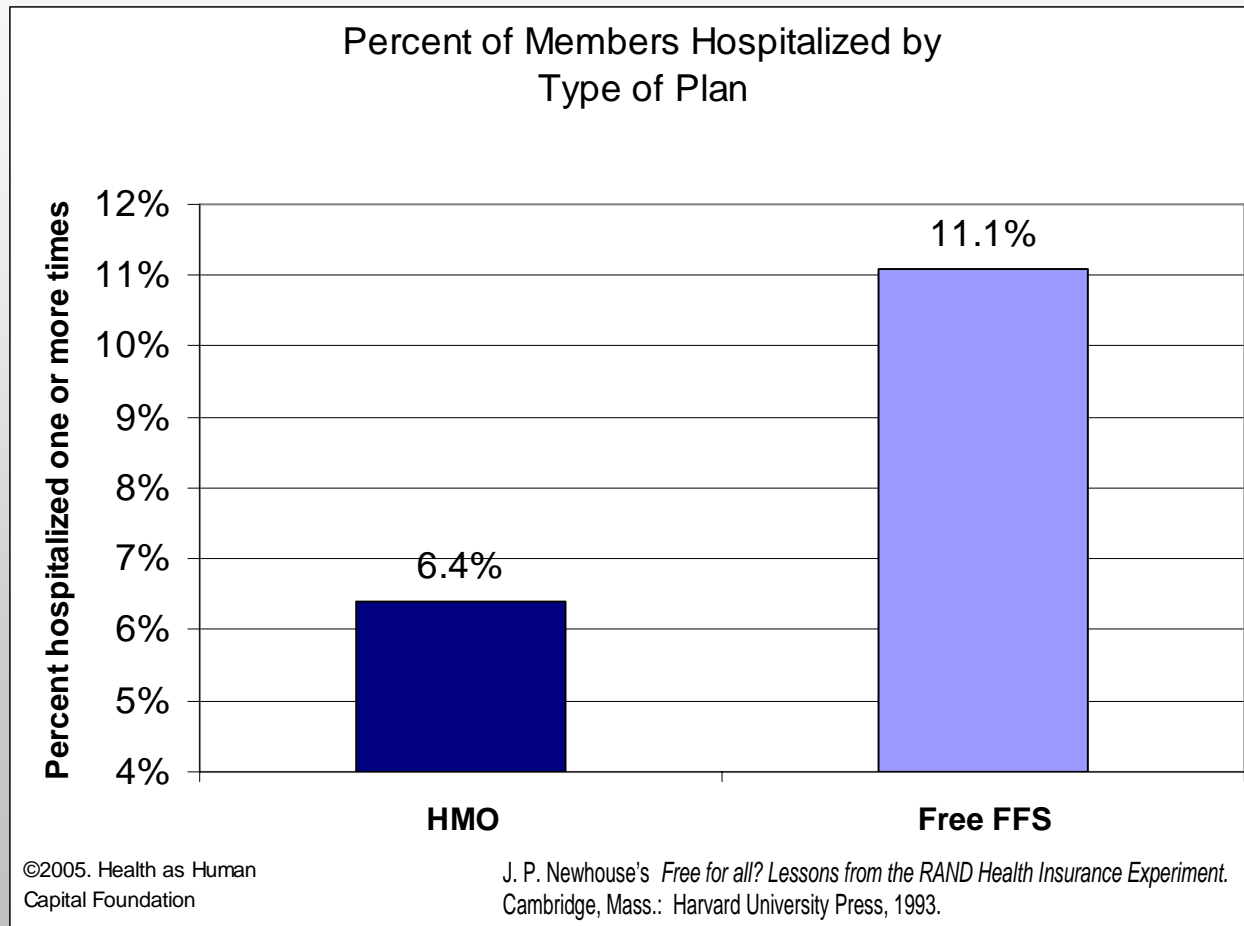
Copyright 2005 by Randy Glasbergen. [www.glasbergen.com](http://www.glasbergen.com)



**“Your condition has no symptoms or health risks,  
but there is a great new pill for it.”**



# ***Correlation between more spending and other outcomes***



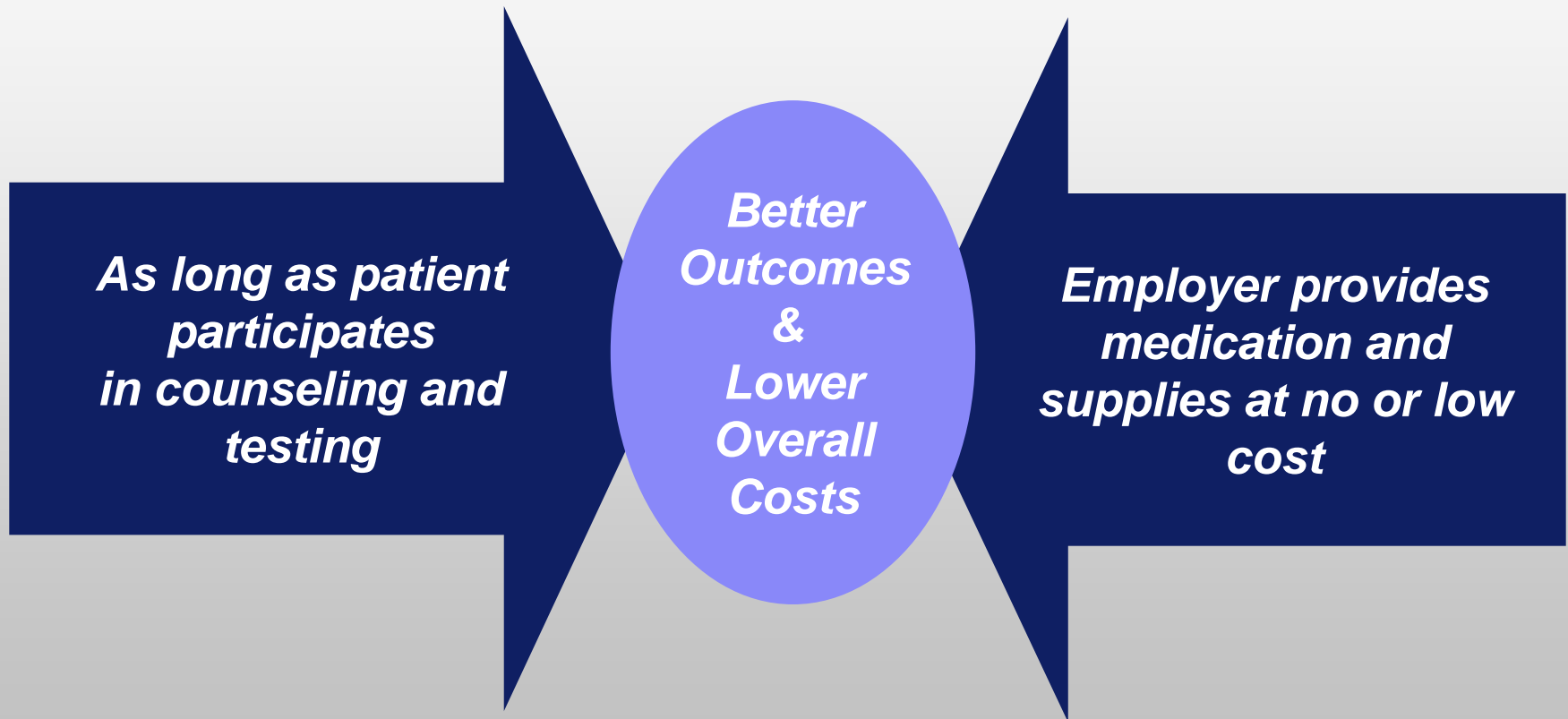
# ***The Aligned Incentive Hierarchy***



***Exchange....***

***Good Management = Lower Co-payments***

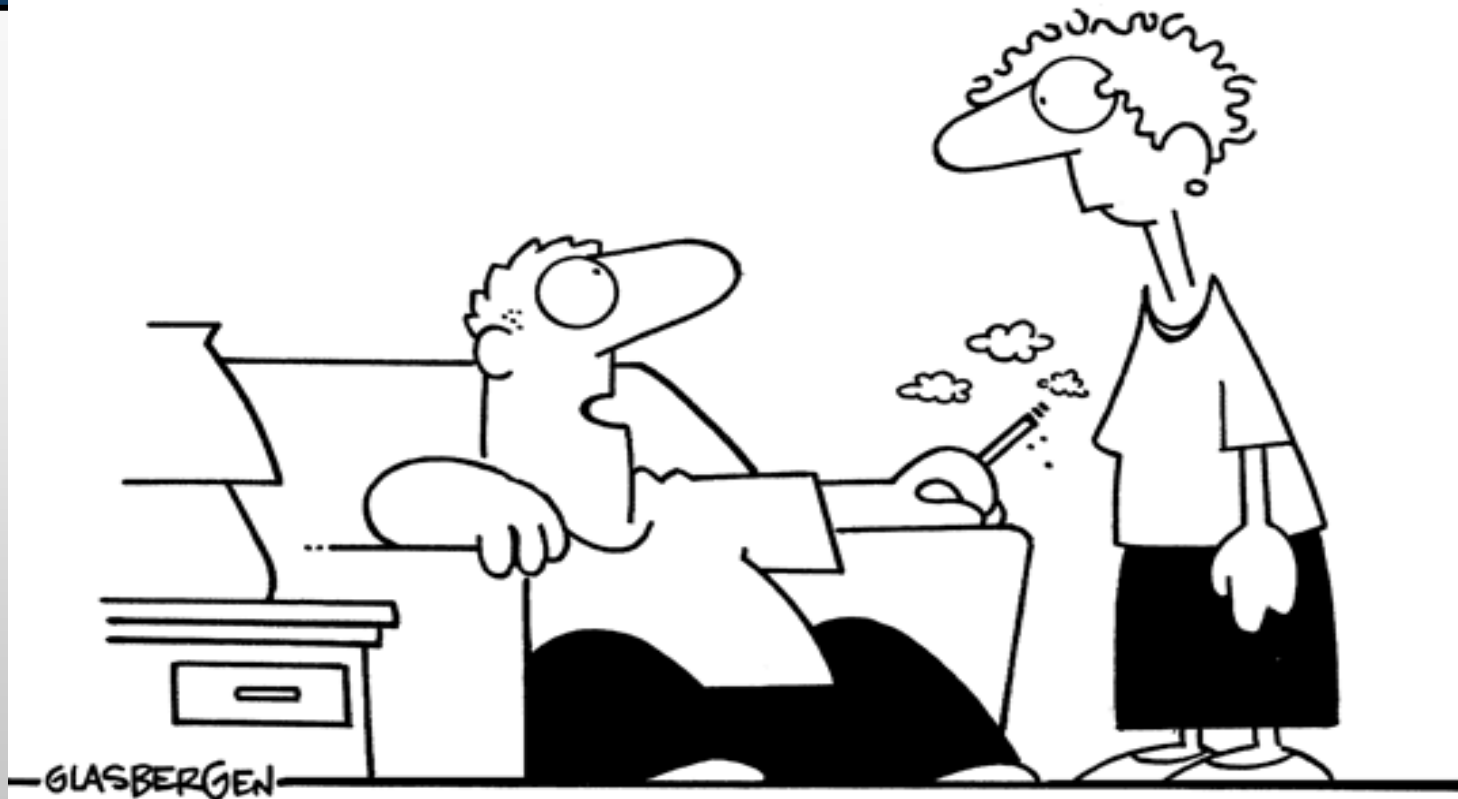
*Example: The Asheville Project*



# ***The Aligned Incentive Hierarchy***



Copyright 2005 by Randy Glasbergen.  
[www.glasbergen.com](http://www.glasbergen.com)

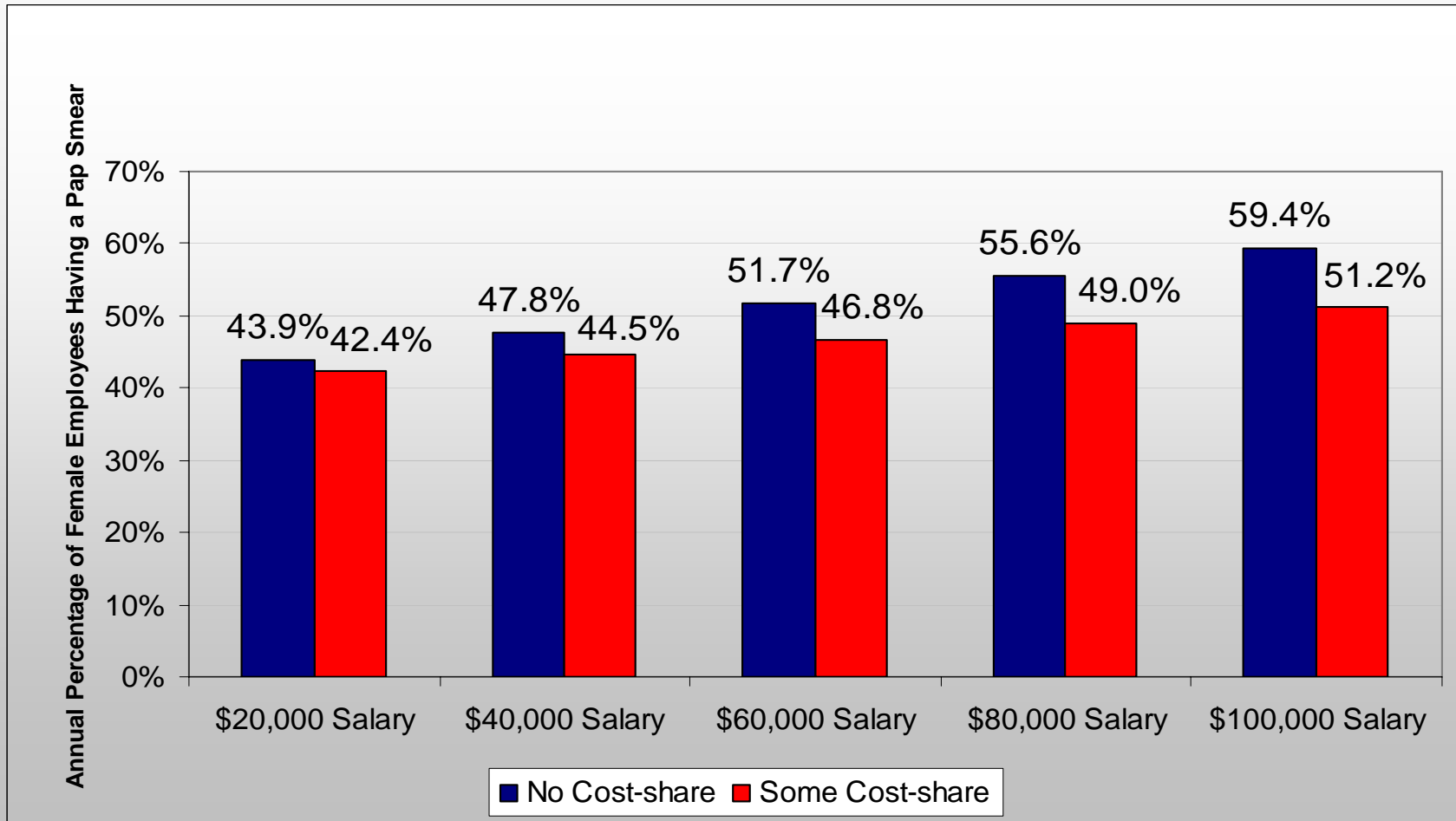


**“I decided to start smoking because my employer  
is giving a bonus to everyone who can quit!”**

Nothing so needs reforming as other people's habits.

-- Mark Twain

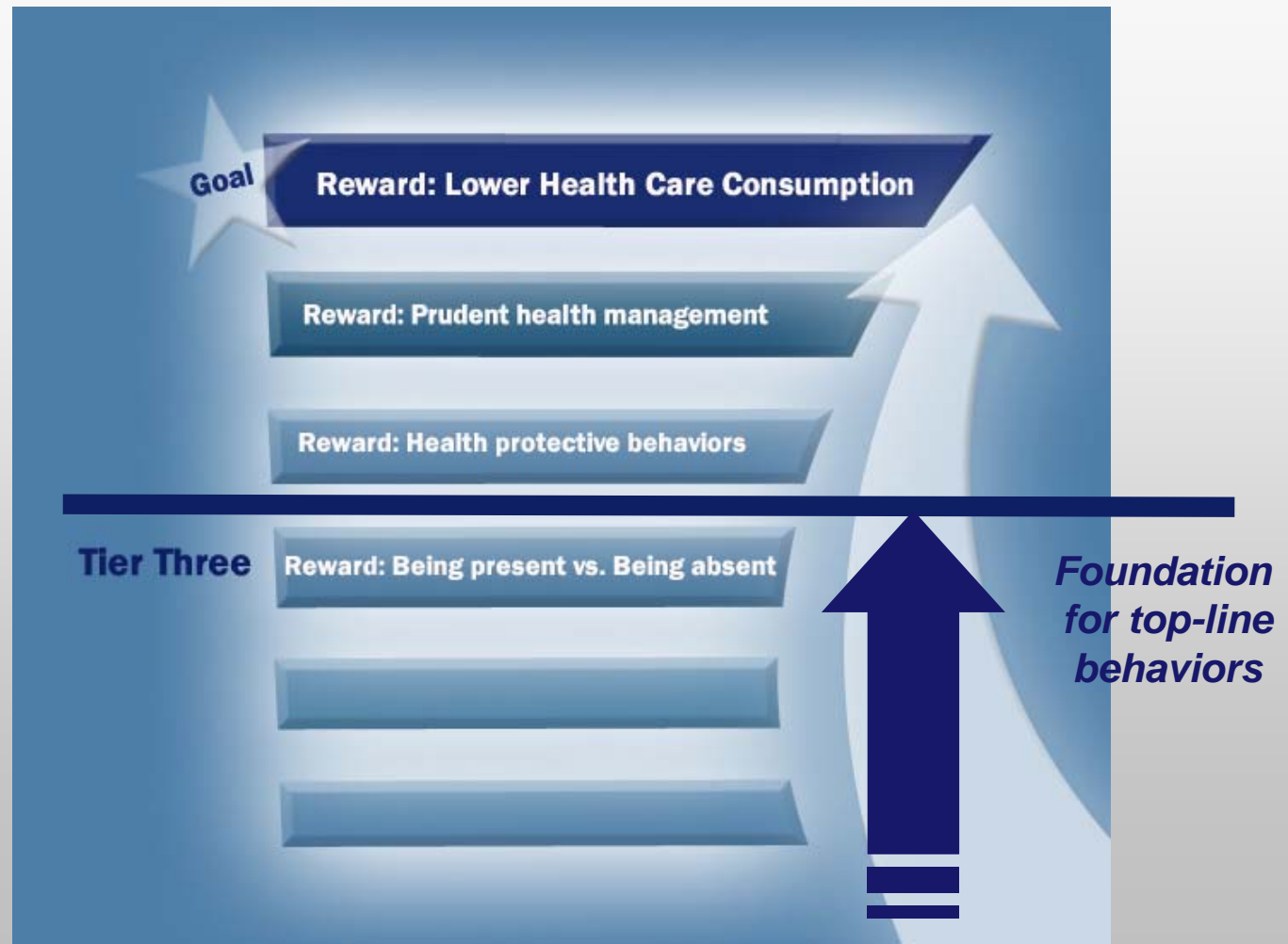
# Percent of Female Employees Aged 18- 50 Having a Pap Smear by Salary and Cost-share Level



HCMSGGroup, 2005, used with permission [www.hhcf.blogspot.com](http://www.hhcf.blogspot.com). 2005

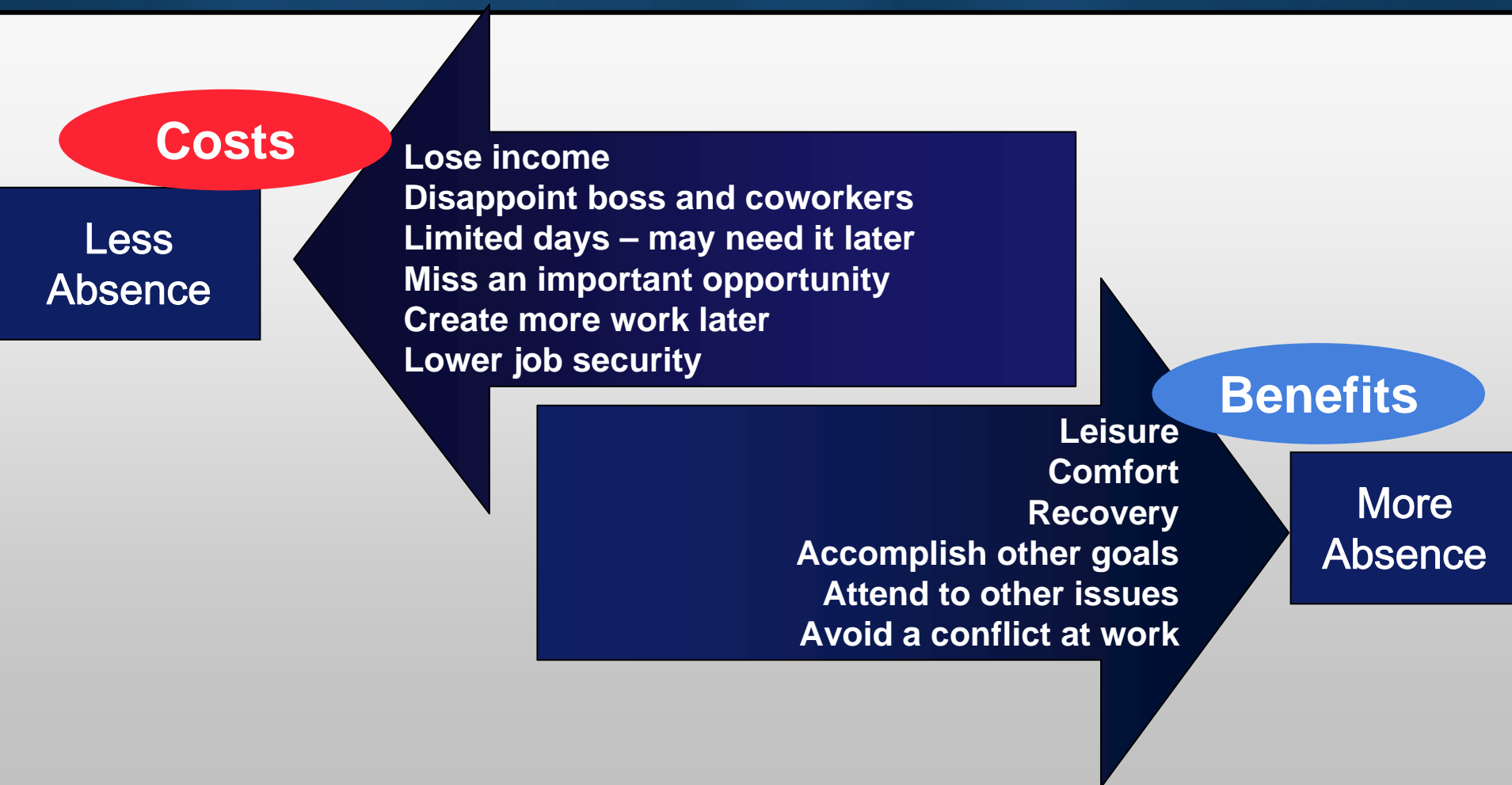
# ***The Aligned Incentive Hierarchy***

***Are there  
reliable,  
visible,  
tangible,  
meaningful  
rewards  
for this?***



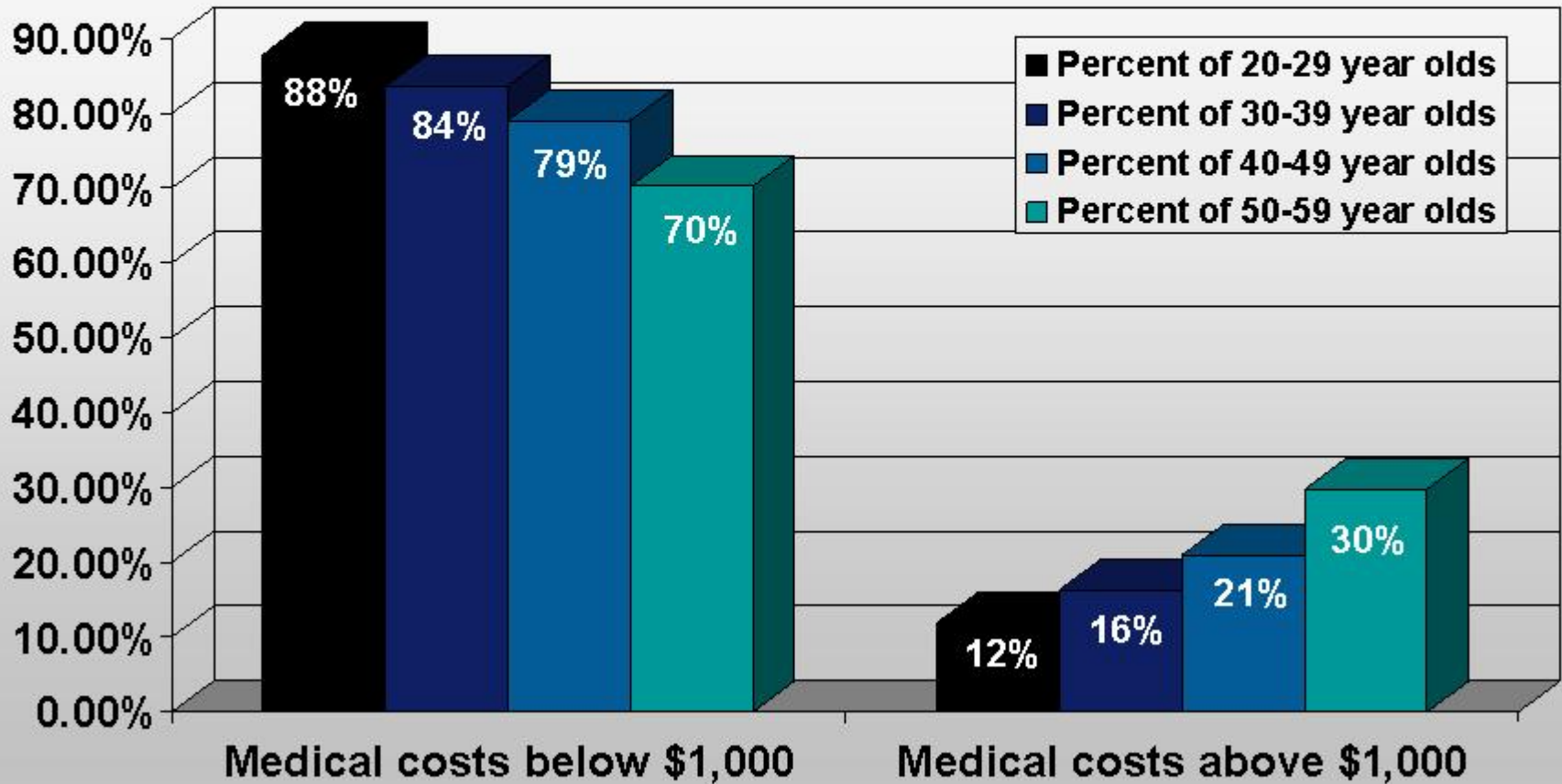


# ***Directional Pull on Absence Behavior***

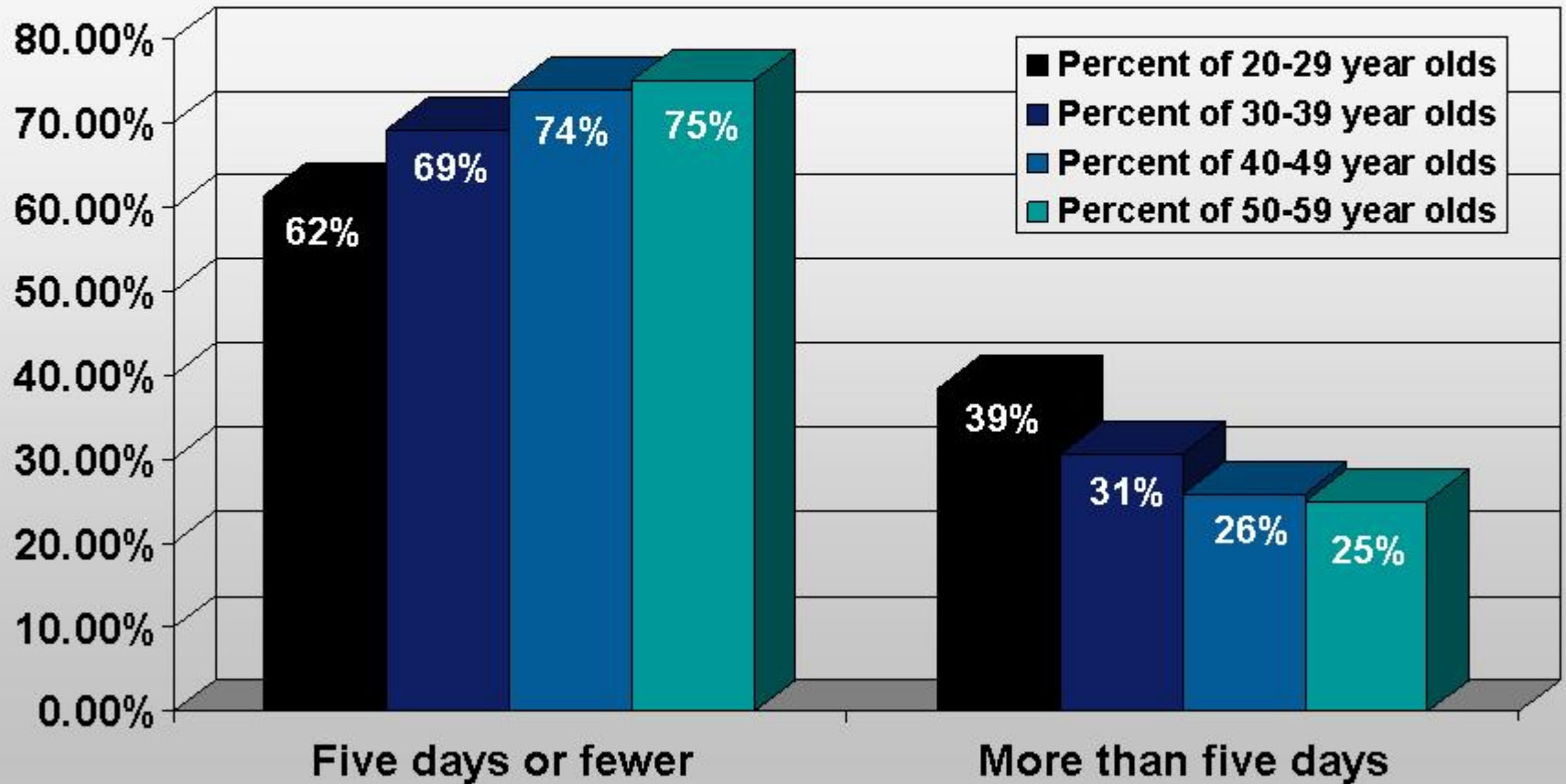


Lynch, et al. [www.hhcfoundation.org](http://www.hhcfoundation.org)

# ***Percent of age groups having medical costs above and below \$1,000***

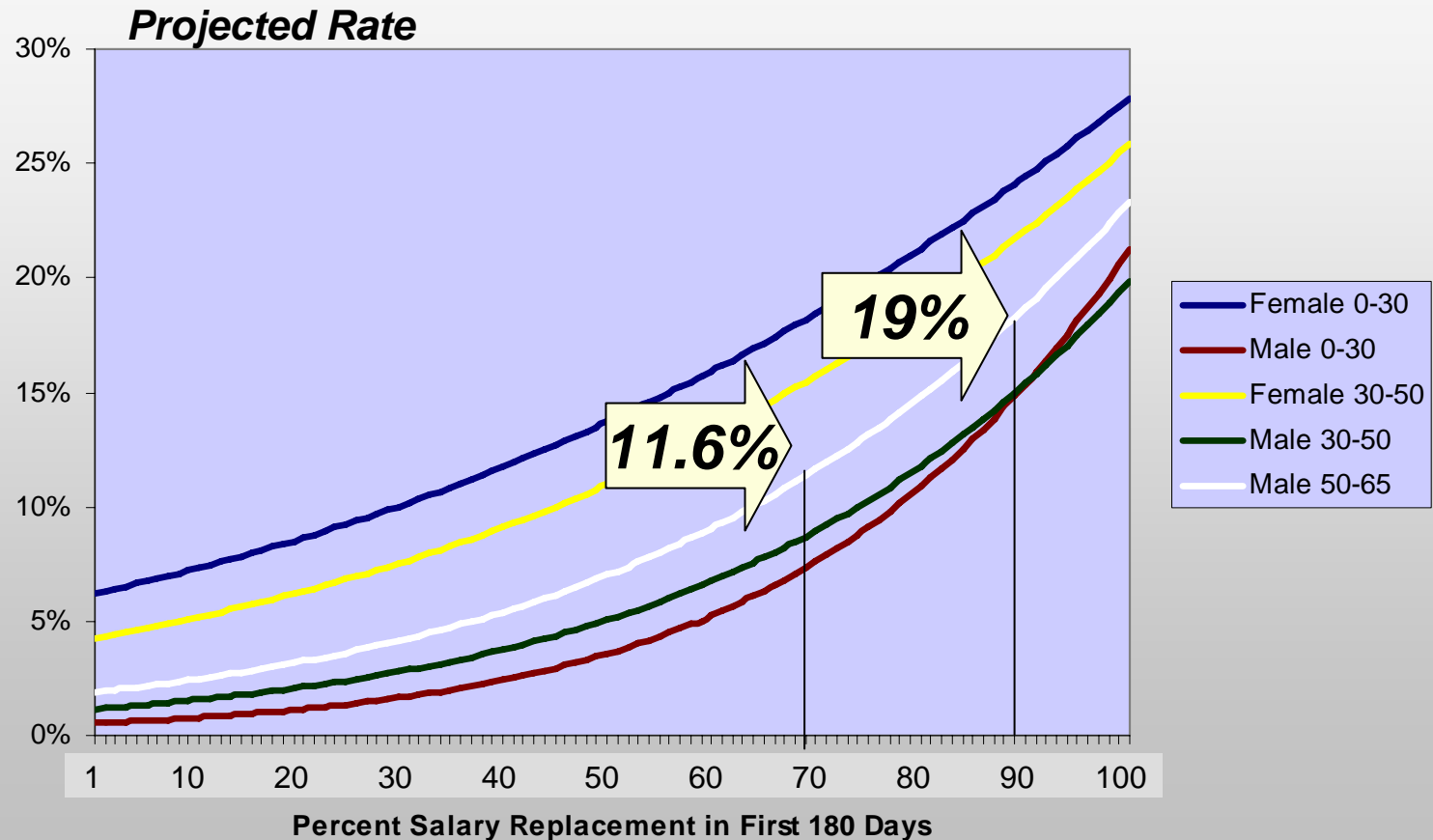


# ***Percent of age groups having more or fewer than five days of illness absence***



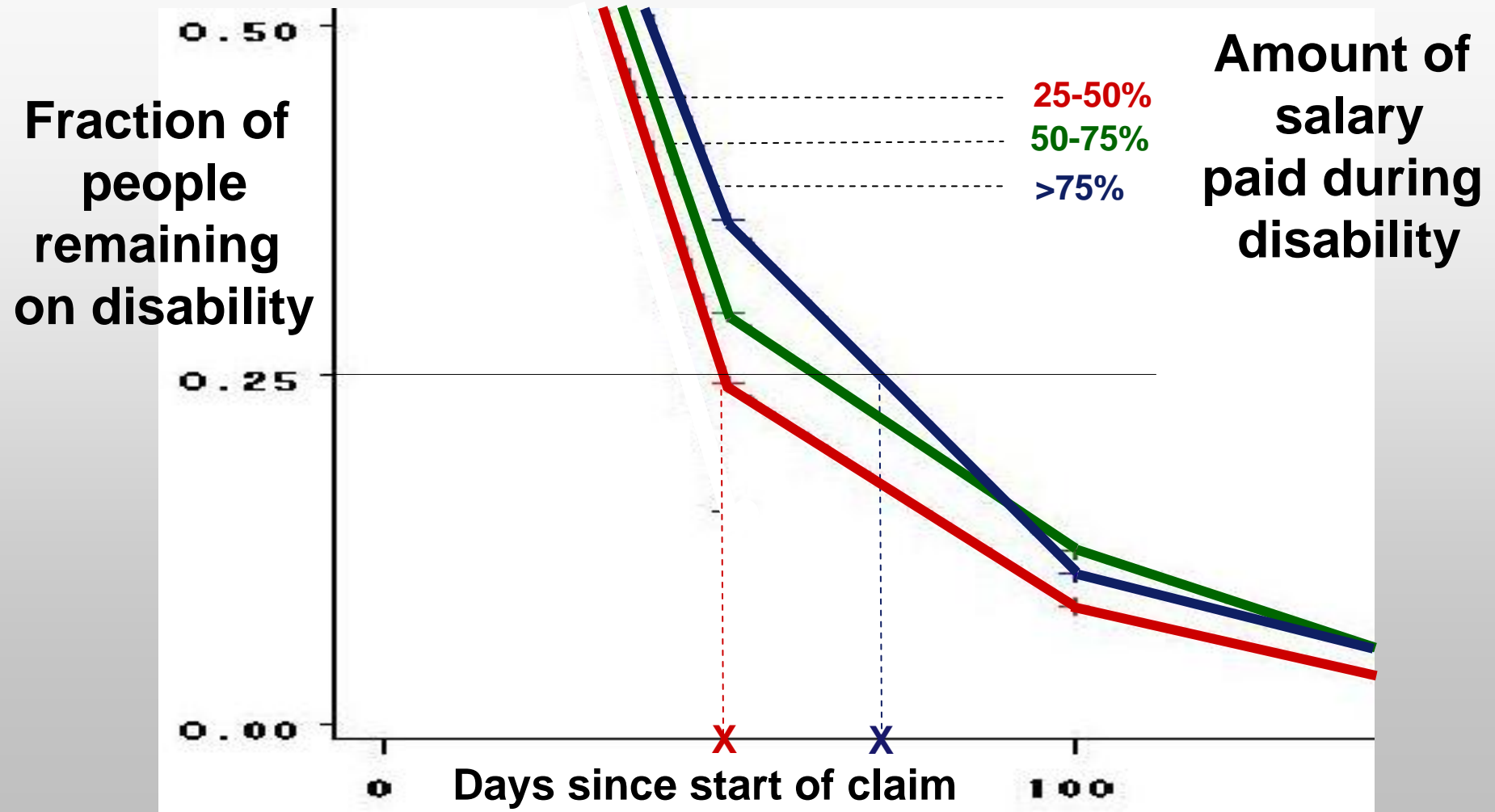
# More Benefit Results In More Use

## Projected Rate of STD by Percent Salary Replacement



Health as Human Capital Research Group,  
2005, used with permission

# Salary reimbursement levels affect duration of disability claims



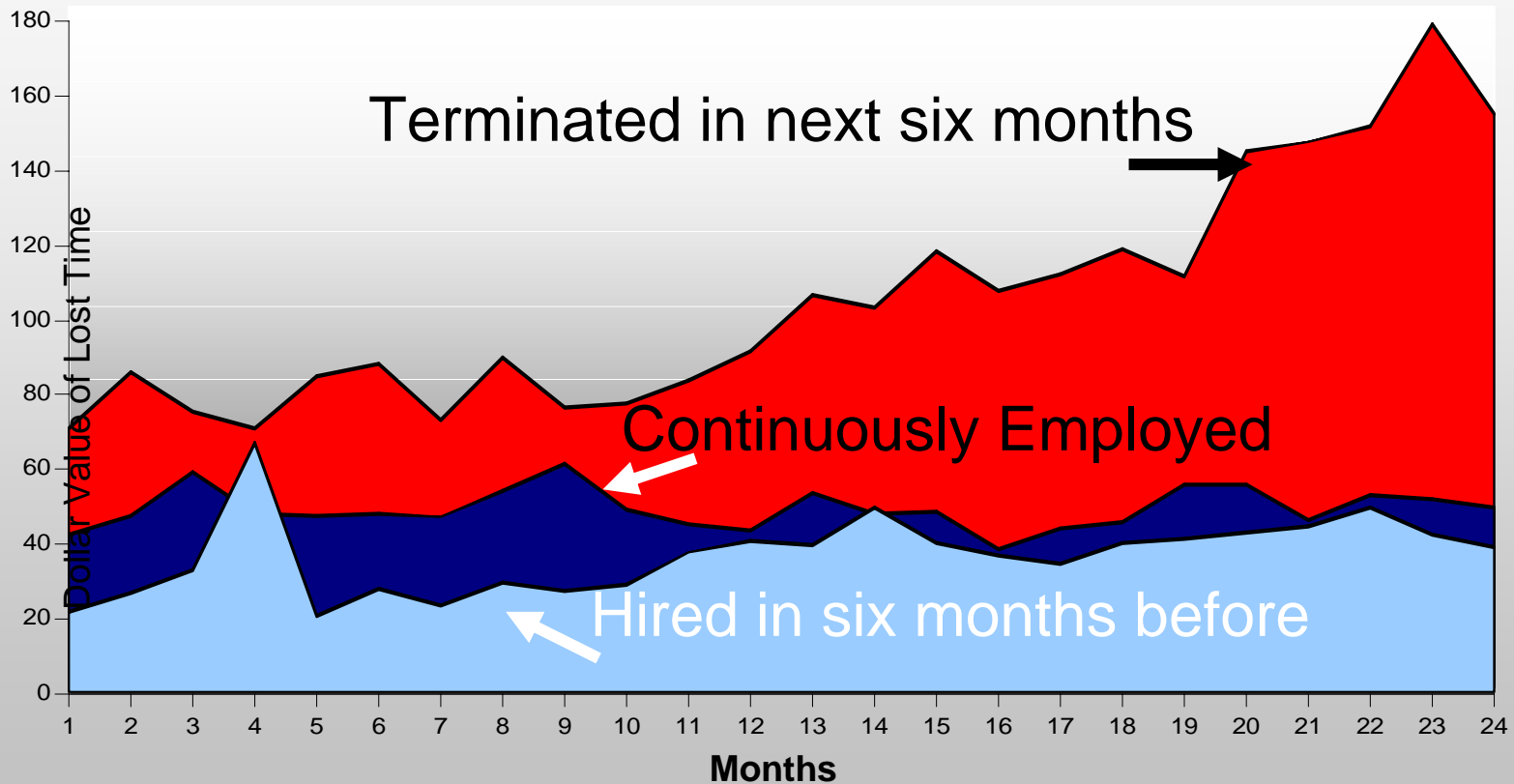
Copyright 2002 by Randy Glasbergen.  
[www.glasbergen.com](http://www.glasbergen.com)



**“Of course I brought it with me —  
I still have 250 unused minutes!”**

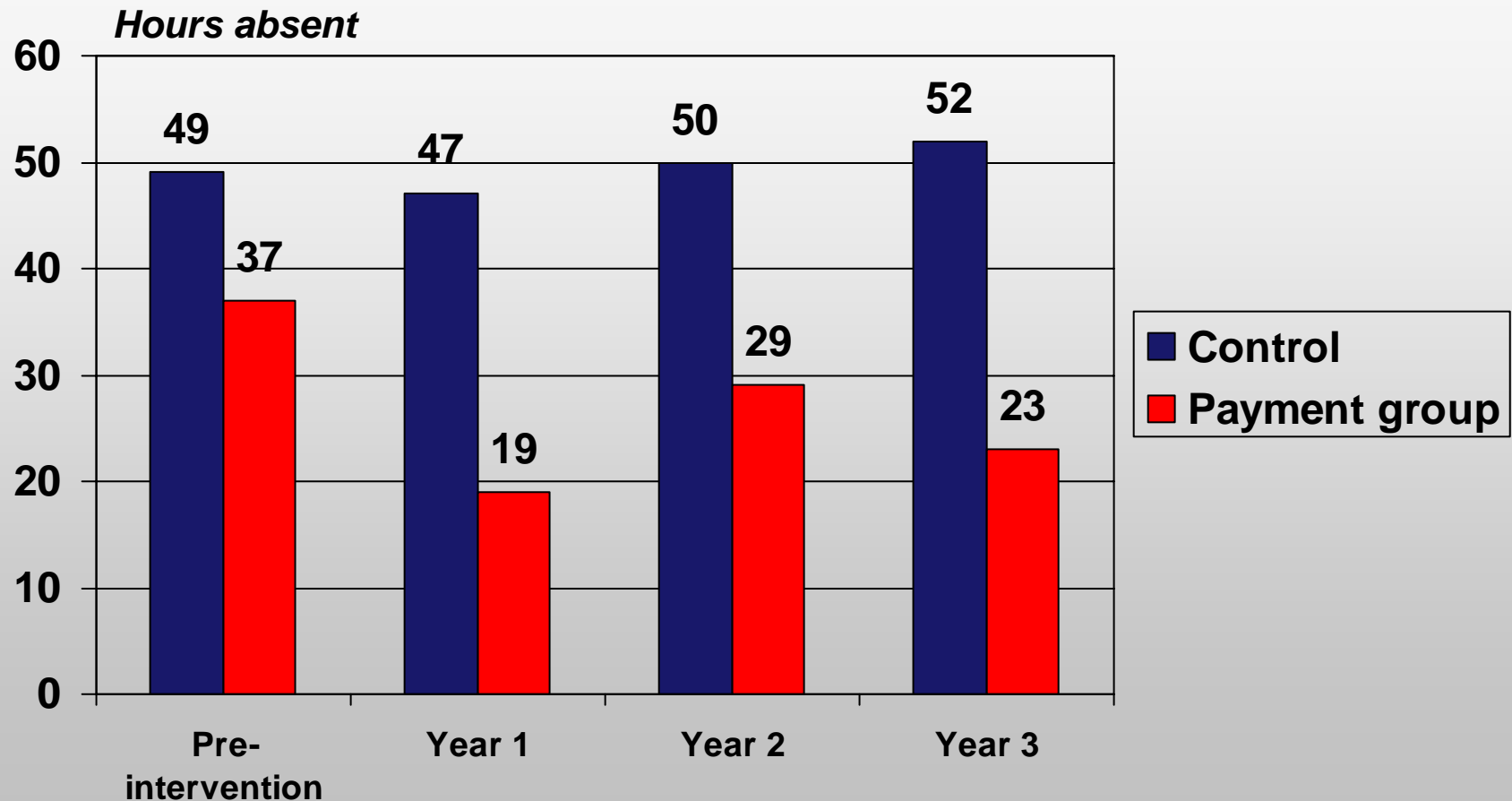


# Lost Time Patterns For Individuals Continuously Employed, Versus Newly Hired And Soon To Terminate



HCMSGGroup, 2005, used with permission

# Reimbursing Employees for Unused Sick Leave



Schlotzhauer, D. L./Rosse, J. G. *Personnel Psychology*, 1985  
A five-year study of a positive incentive absence control program

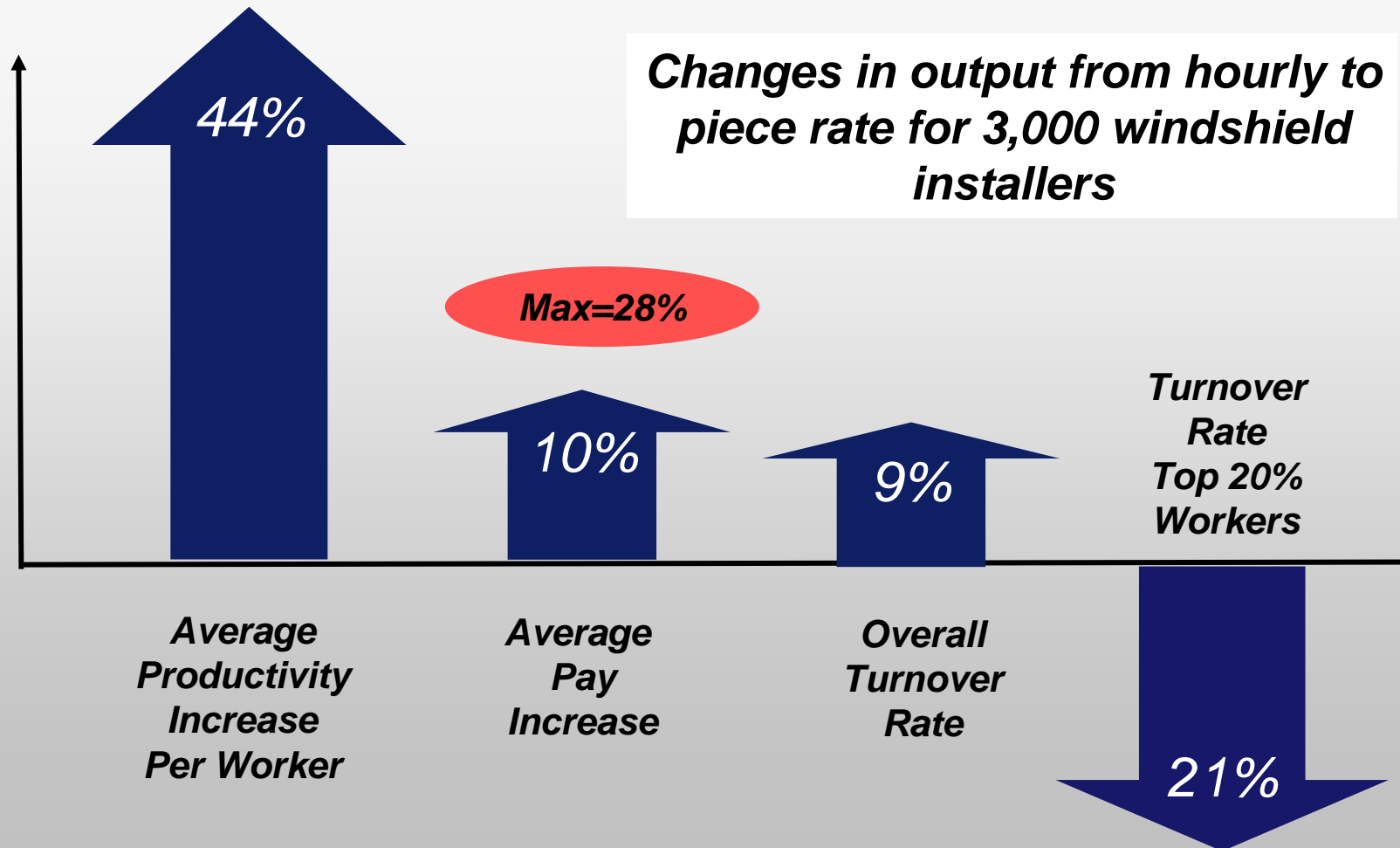


# ***The Aligned Incentive Hierarchy***

***Are there  
reliable,  
visible,  
tangible,  
meaningful  
rewards  
for this?***



## ***After a switch to P4P....***



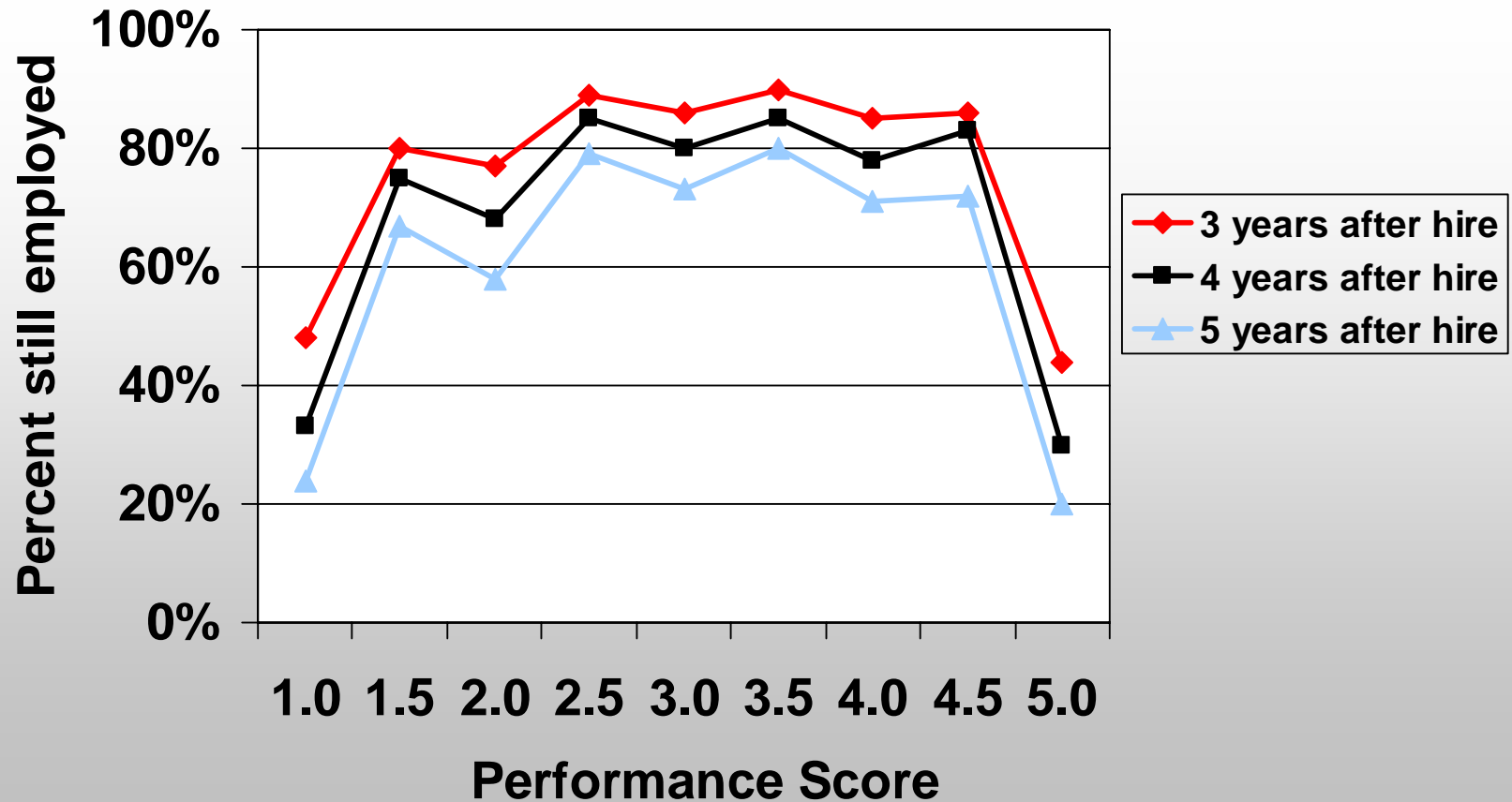
Lazear. The American Economic Review. 2000. Vol 90. No. 5.

# ***The Aligned Incentive Hierarchy***

***Asking an employee to take greater responsibility for health and health care consumption requires reliable evidence that both the employee and employer will gain from prudent consumption***

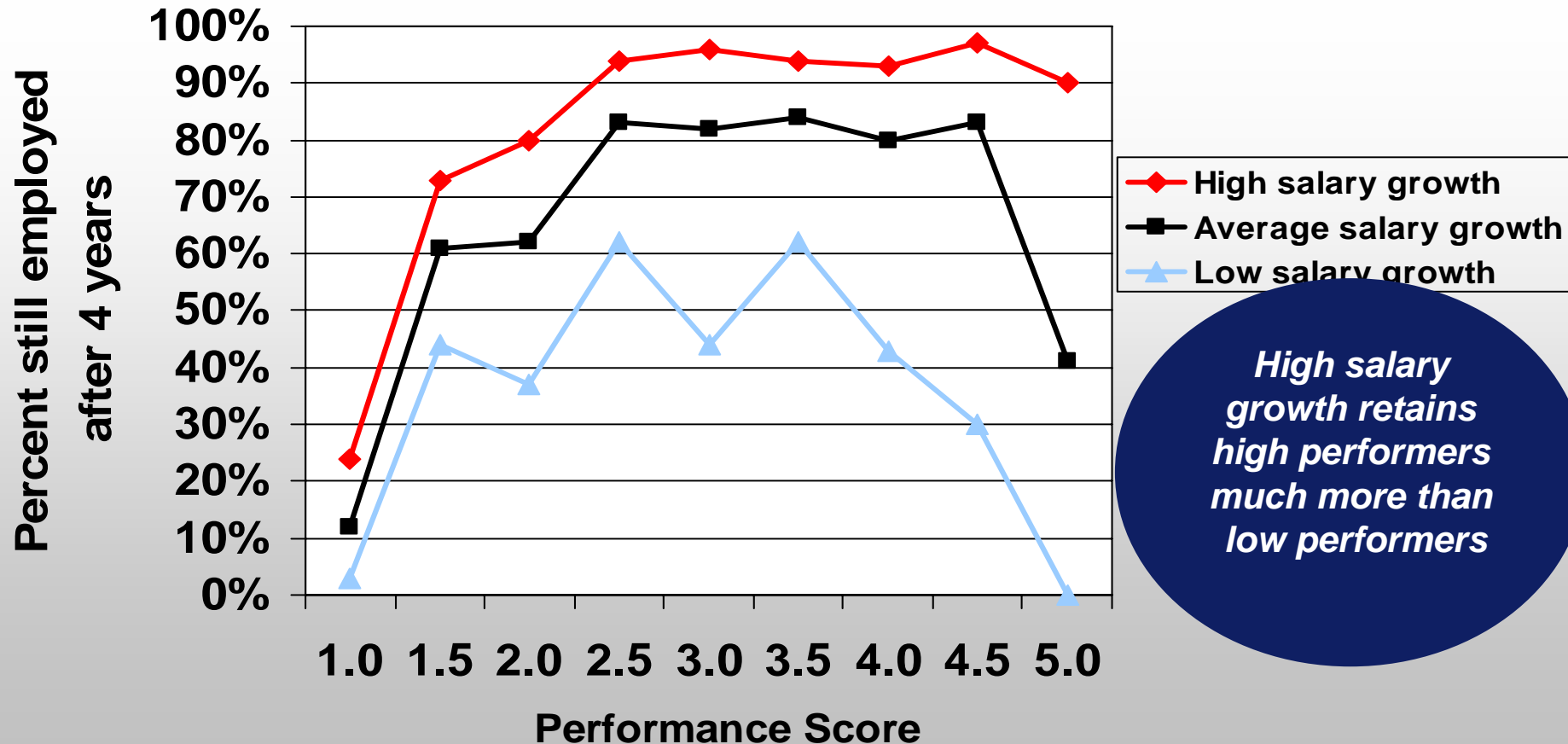


# Performance and Voluntary Turnover



Trevor, Charlie O.; Gerhart, Barry; Boudreau, John W.  
*Journal of Applied Psychology*. 1997 Feb Vol 82(1) 44-61

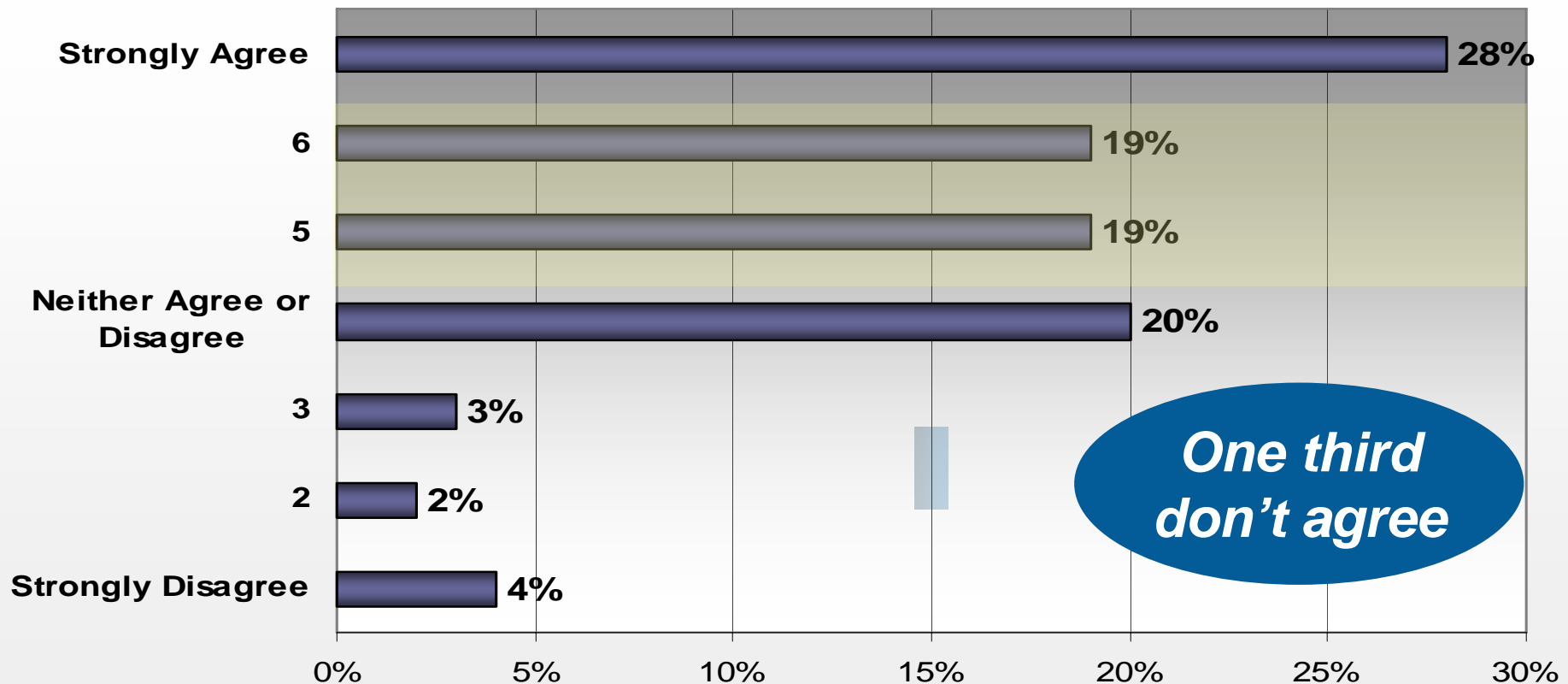
# Mitigating Turnover with Salary Growth



Trevor, Charlie O.; Gerhart, Barry; Boudreau, John W.  
Journal of Applied Psychology. 1997 Feb Vol 82(1) 44-61

# What makes health important?

*Percent agreement – Staying healthy is really important for me to be successful in my career*



# ***What makes health important?***

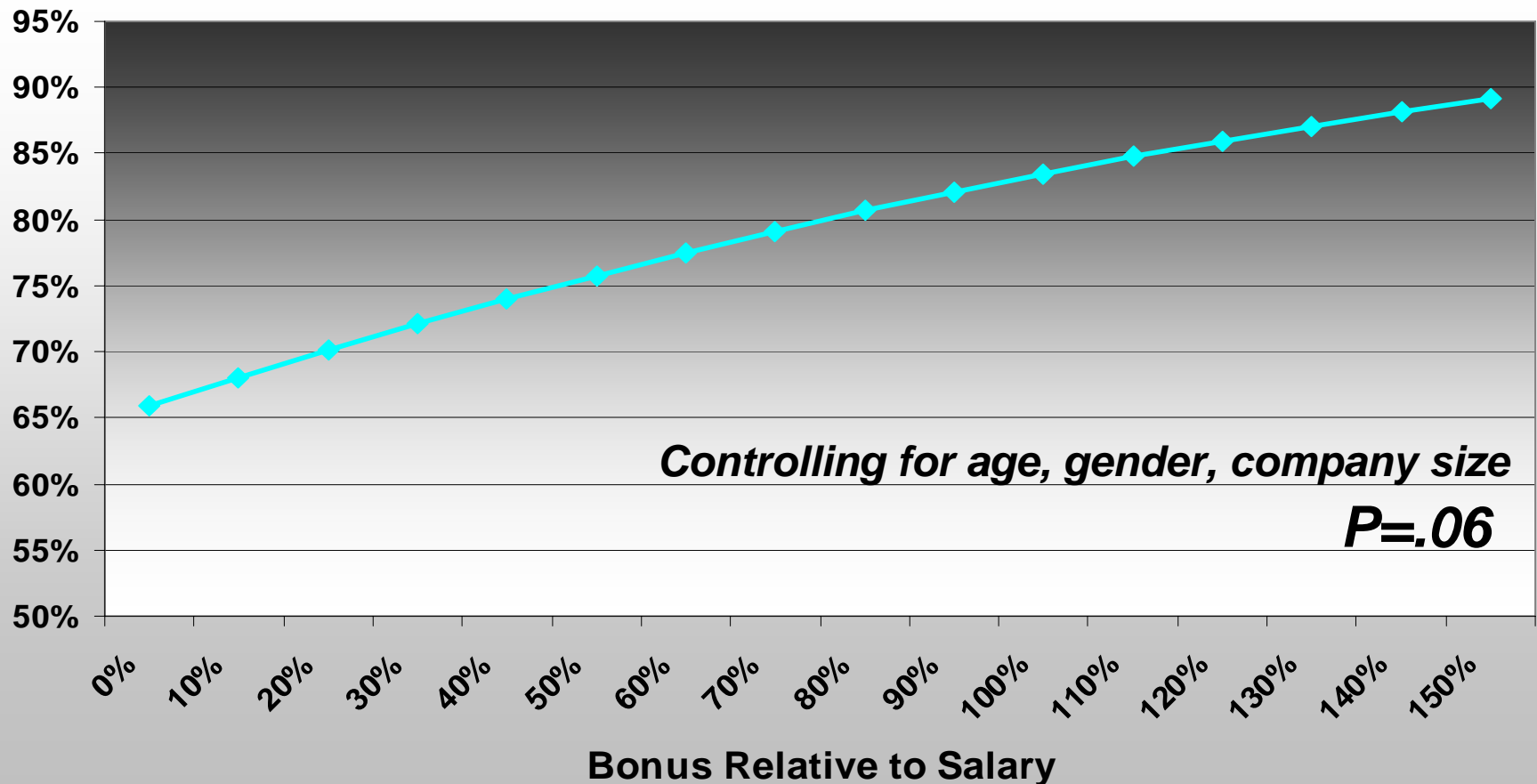
## **Correlates of health importance:**

- Being older
- Working for smaller companies
- NOT having more benefits
  
- Being higher paid
- Aspects of variable pay



# ***What Makes Health More Important? Variable Pay***

## ***Percent Rating Health as Important to Work Success***

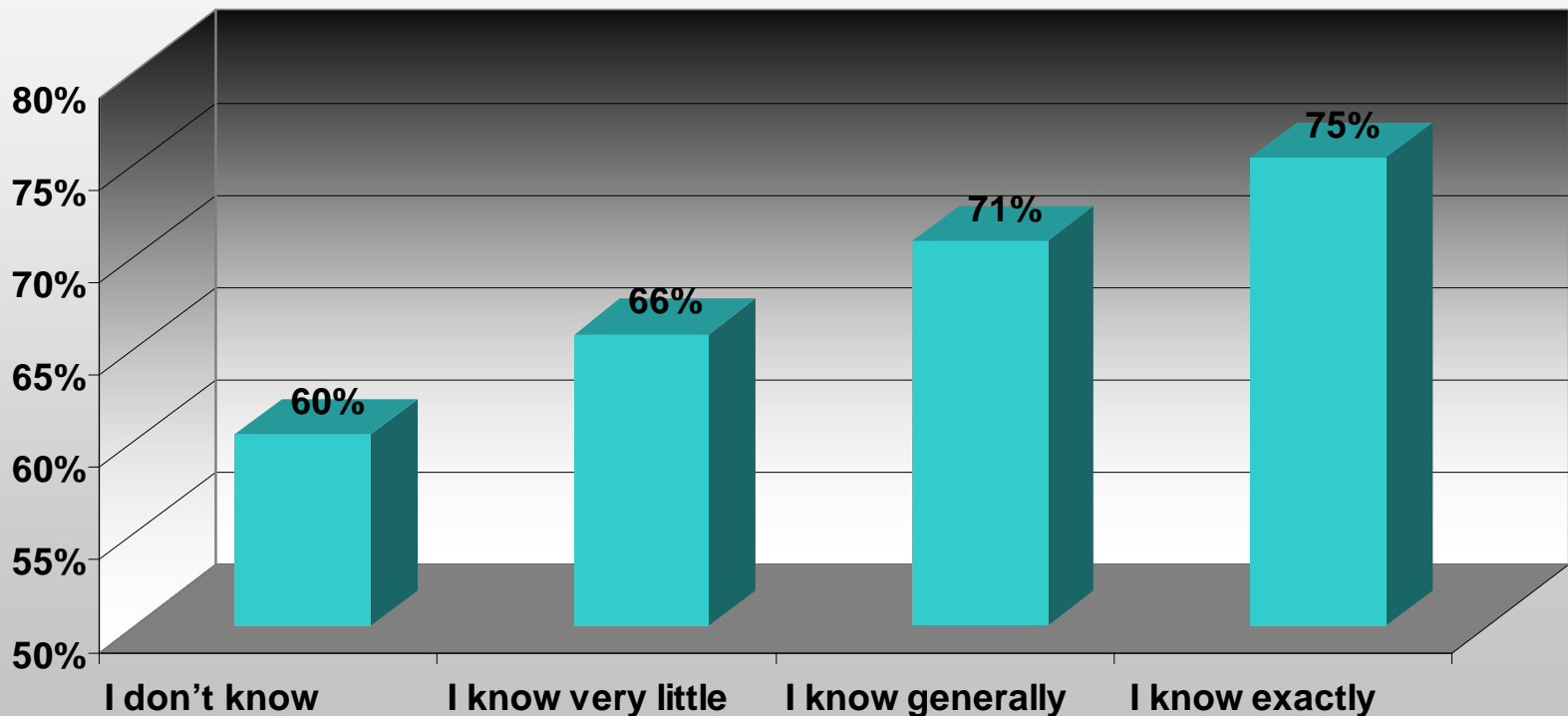




# ***What Makes Health More Important?***

## ***Clear guidelines about bonuses***

### ***Percent Rating Health as Important to Work Success***



***Controlling for age, gender, salary, company size***

# ***The Aligned Incentive Hierarchy***

***Asking an employee to take greater responsibility for health and health care consumption requires reliable evidence that both the employee and employer will gain from prudent consumption***

## **Tier Six**

**Reward: Lower Health Care Consumption**

**Reward: Prudent health management**

**Reward: Health protective behaviors**

**Reward: Being present vs. Being absent**

**Pay based on level of performance**

**Paying market value for relevant skills**





*"Human Resources."*





[www.hhcfoundation.org](http://www.hhcfoundation.org)

[www.hhcf.blogspot.com](http://www.hhcf.blogspot.com)